

2025

ANNUAL REPORT



sandbox
mutual insurance

About Us

Our Story

Let's be honest: no one wakes up excited about insurance.

And that's okay. We're not here to steal the spotlight from real life. We're here to make it easier. While you're busy building, exploring, and doing what matters most, Sandbox is quietly shaping an experience that's delightfully simple, refreshingly clear, proudly human, and, dare we say, even interesting.

Our Guiding Principles

Relentless pursuit of simplicity.

Nothing is ever complete.

We're always working towards making everything easier.

Get to the point.

Less words, steps, and barriers.

No dead ends.

Digital or offline, we never leave our customers hanging.

The options are clear—we guide them at every step.

Our Why

We show up every day to deliver Unboring Insurance. It's not a slogan; it's how we work—leading with heart, sparking connection, leaning into growth, and leaving room for play.

Our How

At Sandbox, unboring starts with being delightfully simple. We do this by stripping away noise, ditching jargon, and making every interaction feel easy. That's what makes Sandbox different.

Our Values

We're Bold.

We're Fun.

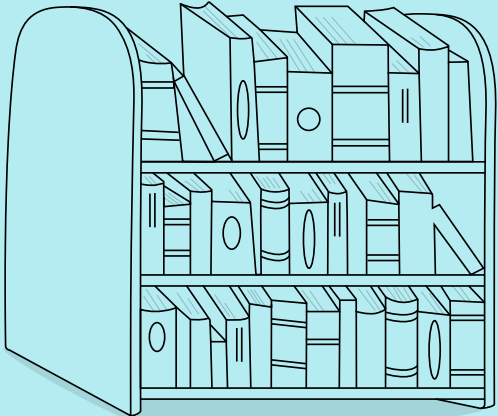
We're Human.

We're Disruptors.

We're Curious.

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Message from the Board Chair



At the Board level, our perspective always begins with the people who rely on Sandbox. Policyholders trust us to be there when it matters most, and that responsibility shapes how we approach governance and oversight.

The Board has ultimate responsibility for the Company's stewardship, strategic direction, and financial viability while providing balanced and independent guidance that supports the long-term strength and stability of the organization. Our focus is on ensuring Sandbox remains financially sound, responsibly managed, and prepared to deliver on its commitments to policyholders now and in the future.

Throughout 2025, the Board maintained strong oversight of long-term strategic direction as well as current and future enterprise risk, capital strength, underwriting performance, and regulatory compliance. These areas may sit behind the scenes, but they are essential to protecting the interests of policyholders and ensuring the Company can respond confidently when they need us.

In a changing environment marked by evolving risks, climate events, and rapid technological advancement, resilience remains a key priority for the Board. We regularly review risk appetite, governance practices, and internal controls to help ensure Sandbox is prepared to navigate uncertainty while maintaining reliable service and stability for policyholders.

The Board also continued to focus on long-term governance effectiveness, including succession planning and Board renewal, to ensure the right mix of experience and perspectives supports thoughtful decision-making.

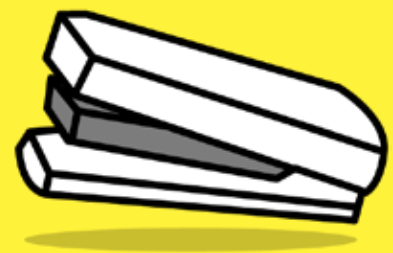
As Sandbox advances its digital capabilities and operational modernization, the Board's lens remains clear: innovation should strengthen the experience for policyholders while protecting privacy, data, and operational integrity. Strong governance provides the foundation that allows progress to happen responsibly.

We value the collaborative relationship we have with President and CEO, Rob Jones and the Executive Leadership Team. Their openness and accountability support strong dialogue and informed oversight at the Board level.

We also recognize and appreciate the important and valued role of our broker partners, who help ensure policyholders receive trusted advice and support throughout their insurance journey. Sandbox's success has been built in partnership with you.

As we look ahead, the Board remains committed to governance that is practical, forward-looking, and grounded in the responsibility we hold to the people who place their trust in Sandbox.

Alan Migneault,
Board Chair
Sandbox Mutual Insurance Company



Message from President & CEO



2025 was a defining year for Sandbox.

Five years ago, we set a bold goal. We committed to doubling our business while building something very different in this industry. A company rooted in simplicity and the unwavering belief that insurance does not have to be complicated.

This year, we did not just reach that goal. We exceeded it.

Sandbox closed 2025 at \$183 million in Direct Written Premium, more than double where we stood five years ago. That milestone is not just a financial achievement. It reflects the trust placed in us by brokers and policyholders, and it reinforces that our strategy is creating real value for the people we serve.

Growth at this pace requires discipline. We strengthened our underwriting practices, invested in claims excellence, and enhanced our risk oversight to ensure that expansion never outpaces responsibility. These investments are ultimately about one thing. Making sure policyholders can count on us for fair, reliable protection and a consistent experience when they need us most. We continued to modernize our systems, improve our data capabilities, and build the infrastructure required to scale thoughtfully into new markets.

Our broker partners remain at the centre of our success, and their trust strengthens everything we do. Together, we continue to focus on delivering insurance to policyholders that feels straightforward, responsive, and human.

Internally, we made meaningful investments in our leadership bench and organizational capability. We continued advancing key strategic initiatives that support ongoing enhancements to digital experience, operational efficiency, and balanced growth. Each of these efforts is designed to make it easier for policyholders and brokers to do business with Sandbox and to strengthen the confidence they place in us.

Perhaps most importantly, we strengthened our culture. The energy, accountability, and commitment of our team continue to set Sandbox apart. Our people are builders. They are problem solvers. They show up every day with a clear purpose. Helping brokers and policyholders navigate insurance with confidence.

Thank you to our employees, broker partners, and policyholders for your trust and commitment. The next five years will demand even more focus and creativity, and I am confident that Sandbox is ready.

Rob Jones
President & CEO
Sandbox Mutual Insurance Company



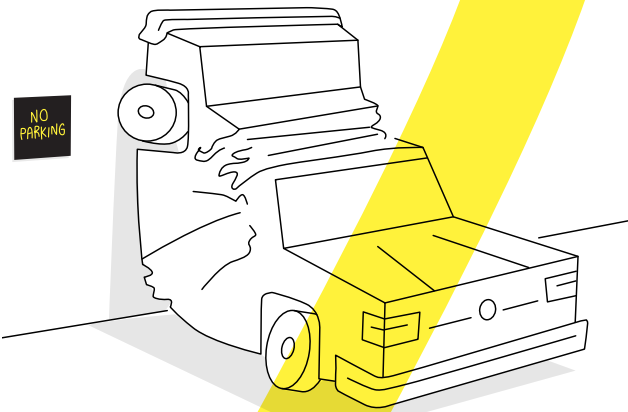
Year in Review

We hit a huge milestone — \$183M in direct written premium (DWP).

That's a 25% increase over 2024. Did we mention we exceeded our five-year goal by \$3 million?

We launched our Customer Care Centre

to provide faster, more efficient, and more human support whenever you need us.



We added a digital channel for brokers to issue new auto policies instantly,

meaning policy documents get into customers' hands the very same day.



We expanded our broker network, issuing 12 new contracts to grow our reach and partnerships.



34

new team members joined the Sandbox team.

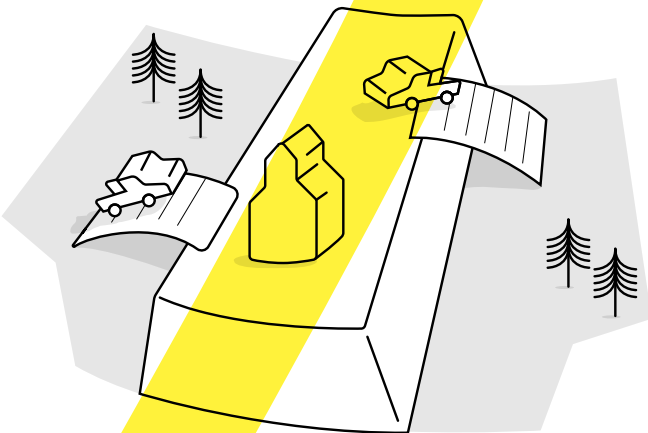
We rolled out a new digital

Customer Service Hub

designed to make managing your insurance faster, simpler, and more convenient.



Sandbox products are now available at 682 locations across the prairies.



We launched an E-Survey loss control program,

helping customers identify risks early and keep their properties safer.



We were recognized for showing up differently, **earning 6 awards** for the work we've done.

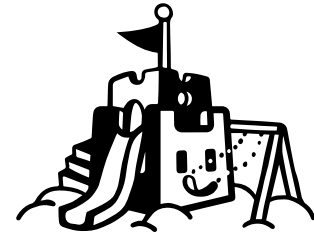
We started measuring Net Promoter Score (NPS),

helping us listen, learn, and level up the customer experience.

Community Support Initiatives in 2025

Communities at Play

Through our Communities at Play program, we invested **\$101,000** to help local groups bring their playground projects to life.



COMMUNITIES AT PLAY

2025 recipients included:



St. Luke Playground Project - Calgary, AB



La Salle School Accessible Playground - La Salle, MB



Kinsmen Park Accessible Playground - Rosetown, SK



St. Anne School Wheelchair Accessible Playground -
Saskatoon, SK

We gave back to our communities more than ever before – to the tune of **\$273,000.**

Employee Volunteer Program

We care about the causes that matter to our employees! In 2025, Sandbox employees volunteered for over 200 hours for the cause or charity of their choice.

Other Highlights

We're proud to have partnered with Buckets & Borders on the restoration of the Buena Vista Park basketball court in Saskatoon, SK! Alongside a **\$10,000** donation, Sandbox team members pitched in to help paint and bring the court back to life.

As wildfires displaced families and communities across Saskatchewan and Manitoba this past summer, we showed up by backing organizations helping those affected. Through Sandbox's Emergency Response Program, we donated over **\$6,000** to local organizations on the frontlines, who helped provide food, shelter, supplies, and support for people and pets during an incredibly uncertain time.

Every child deserves a space to dream big. Sandbox was thrilled to support Nutrien Wonderhub with a **\$10,000** donation in support of their School Access Program and Discovery Passes in 2025!



GOOD TO GROW

Good to Grow

We believe every child deserves the chance to learn, play, and grow with full bellies and bright futures, which is why we developed our Good to Grow program. We donated **\$30,000** across Alberta, Saskatchewan, and Manitoba to help provide meals to local children in need! Selected charities each received **\$5,000**: Llama Lunch and Regina Food for Learning in SK, Brown Bagging for Calgary's Kids and ICAN for Kids in AB, and Harvest Manitoba Breakfast2Go and The Child Nutrition Council of Manitoba in MB.

Board of Directors



Alan Migneault, Chair
CPA, CA, ICD.D

Born and raised in Saskatchewan, Alan Migneault is a dynamic and results-driven entrepreneur with extensive experience in managing and expanding multi-location and multi-brand franchises and as a professional management consultant that scales up businesses for transition to new ownership or to improve the business's growth through financial restructuring, acquisitions, or divestitures. Adept at strategic planning, operational management, and fostering strong relationships with stakeholders, Alan has a proven track record of driving growth and achieving significant business milestones.

With a bachelor's degree in Commerce from the University of Saskatchewan and a Chartered Professional Accountant (CPA, CA) designation, Alan started his career working with PricewaterhouseCoopers LLP and led the technology and risk management practice in Western Canada for a number of years before taking on roles in private business as a Chief Executive Officer or Chief Financial Officer in Saskatchewan. Throughout his career, Alan has served on the boards of several organizations, contributing to strategic decision-making and governance. Regularly following the path of continuous development, Alan obtained the ICD.D designation through the Institute of Corporate Directors' Directors Education Program.

Alan's work experience spans various industries including hospitality, insurance, banking, telecommunications, manufacturing, economic development, and transportation. A passionate supporter of the business, Alan has held several Board Director and Committee positions in industry and community-based associations. Alan was elected to the Sandbox Board of Directors in June 2021 and assumed the role of Board Chair on May 31, 2024.



Susan Milburn, Vice-Chair
BComm, MBA, ICD.D

Susan's professional career was spent in the investment industry where she served individual investors for over four decades. She graduated from the University of Saskatchewan with a BComm majoring in Finance and Marketing along with a Master of Business Administration. Susan has served on many boards, both in the for-profit sector and in the charitable sector, and currently lends her governance expertise to three other boards in diverse industries. In addition to earning her Director designation from the Institute of Corporate Directors, she has been included in Saskatchewan Business Magazine's annual list of 10 Most Influential Women, received the Alumni Service Award from the University of Saskatchewan Alumni Association, and been named a Woman of Distinction by Raymond James Ltd. Susan was elected to the Sandbox Board of Directors on May 30, 2019.

Board of Directors

continued



Briana Brownell
BSc, M.A.

Briana is the founder and CEO of Pure Strategy, Inc. She has a Master of Arts in Economics from Carleton University and a Bachelor of Science in Mathematics from the University of Saskatchewan. Briana currently serves on the board of League Data and has served on the boards for AI Governance and Safety Canada, Saskatoon Opera, and the Marketing Research and Intelligence Association. She holds the Innovation Governance Program (iGP) Level 3 designation. Briana won the Woman in AI Trailblazer Award for North America in 2025 and was named as VentureBeat's AI Entrepreneur of the Year in 2021. Briana was elected to the Sandbox Board of Directors on June 25, 2020.



Andrew Cartmell
FCAS, FCIA, CIP, C.Dir

Andrew is currently an insurance consultant and has over 40 years of property and casualty experience, 13 years of which were as President & CEO of Saskatchewan Government Insurance. Andrew has served on the boards for 3sHealth, PACICC, Facility Association, Coachman Insurance Company, Insurance Company of Prince Edward Island, SGI Canada Insurance Services Limited, and Master Gardeners of Ontario. He was also a Leader's Council Member for Hill and Levene Schools of Business.

In addition to Andrew's actuarial qualifications (FCAS, FCIA), he is a Chartered Insurance Professional (CIP) and has completed the Chartered Director Program (C.Dir). Andrew was elected to the Sandbox Board of Directors in May 2024 and resigned from the Board in December 2025.



Catherine Gryba
BSc, ICD.D

Catherine owns CRG Strategies, a management consulting business specializing in strategy, communications, and executive/board relations. She currently is a board member with the Golden Opportunities Fund, The Prosperity Project, Board of Trustees for Huskie Athletics, the Canada Games Foundation, the Saskatoon Club, and previously served on the boards of Saskatchewan Blue Cross, United Way of Saskatoon, Shakespeare on the Saskatchewan, and the Nutrien Wonderhub. Catherine is the Saskatchewan Chair for MacKay CEO Forums. In addition to extensive professional development training, Catherine holds a Bachelor of Science, Physical Education degree, majoring in Commerce, from the University of Saskatchewan. Catherine retired in 2017 from the City of Saskatoon after holding several positions, her most recent being General Manager, Corporate Performance Department. She was elected to the Sandbox Board of Directors in May 2018.

Board of Directors

continued



Troy Milnthorp
FSA, FCIA, SOA, CIA, ICD.D

Troy is a Senior Director in Eckler's Saskatoon office, where he delivers pension and actuarial consulting services to a diverse range of clients across Canada. Before joining Eckler, Troy served as Senior Managing Director at the Saskatchewan Teachers' Federation, overseeing all pension, health, life insurance, and disability programs administered by the organization. Earlier in his career, Troy was a partner at Aon, where he acted as an account executive for a substantial portfolio of clients. An actuary by profession, Troy holds the FSA, FCIA, SOA, and CIA designations and earned his Bachelor of Science (Honours) in Statistics from the University of Saskatchewan. Troy was elected to the Sandbox Board of Directors in May 2018.



Palash Sanyal
ICD.D, GCB.D, CPF, PMP

Palash is a governance and sustainability professional with over a decade of experience in strategic management and economic resilience. He serves on non-profit and for-profit boards, leads Governing Water, and specializes in professional training. He is actively involved in his communities, including organizing events such as TEDx. He also holds ICD.D, PMP, GCB.D, and CPF designations, along with three master's degrees. Palash was elected to the Sandbox Board of Directors in June 2022.



Erin Smith
ICD.D, J.D., MBA, BA (Hons)

Erin is the Chief Executive Officer of Grasslands Finance Corp., a lending company that specializes in life insurance financing for high-net worth and ultra-high-net worth individuals and families. Prior to joining Grasslands, Erin was the Chief Operating Officer for a large life insurance brokerage that created and implemented innovative, proprietary life insurance solutions for successful families and entrepreneurs with the goal of optimizing intergenerational wealth and legacy. Erin also has experience working as a corporate commercial lawyer with one of Western Canada's most prominent law firms. She has a JD/MBA from Queen's University and a Bachelor of Arts (First Class Honours) from McGill University.

Erin has completed the Directors Education Program and obtained her ICD.D through the Institute of Corporate Directors and Rotman School of Management. She has served as a volunteer on the board for Saskatoon Crisis Intervention Service and Maria Montessori Preschool and Elementary. Erin was elected to the Sandbox Board of Directors on June 25, 2020.

Board of Directors

continued



Barry Walter
BComm, CPA, CA

Barry holds a Bachelor of Commerce in Accounting from the University of Saskatchewan, Edwards School of Business, and is a Chartered Professional Accountant (CPA, CA). Prior to his retirement in 2017, Barry was Senior Vice President and Chief Financial Officer for VersaBank (formerly Pacific & Western Bank of Canada), a Canadian Schedule 1 Bank, and had the same position for its parent company. Both entities were public companies listed on the Toronto Stock Exchange. Barry is active in the community serving on the board of directors for several not-for-profit organizations including Emmanuel Care and Riverside Country Club. Barry was elected to the Sandbox Board of Directors in June 2021.



Rob Jones, President & CEO
BComm, BA, Pro.Dir

Rob is President & Chief Executive Officer of Sandbox Mutual Insurance. In his time with Sandbox as both CEO and Senior Vice-President, Rob has led Sandbox through a period of continued growth and transformation, advancing the organization's strategic direction while strengthening its customer, broker, and employee experience.

Rob brings a wealth of leadership experience to his position with experience in several high-profile roles, including Chief Information Officer (CIO) and Chief Operating Officer (COO) at Prairie Centre Credit Union (PCCU). Additionally, he served as Vice President, Strategy & Client Experience at Doxim Solutions, where he honed his expertise in strategy and client engagement.

Rob holds a Bachelor of Arts in Psychology and a Bachelor of Commerce with a major in Accounting. He has furthered his knowledge through specialized programs at renowned institutions, including Strategic Planning at the Wharton School of Business and Organizational Effectiveness at Cornell University. He also completed a Leadership Development program at the University of Saskatchewan and holds the Professional Director (Pro.Dir™) designation.

Board Committees *Effective May 31, 2025*

Audit & Finance

Barry Walter, Chair
Catherine Gryba
Susan Milburn
Troy Milnthorp
Palash Sanyal

HR & Governance

Erin Smith, Chair
Briana Brownell
Andrew Cartmell*
Catherine Gryba
Troy Milnthorp

Compliance & Risk

Briana Brownell, Chair
Andrew Cartmell*
Palash Sanyal
Erin Smith
Barry Walter

**Andrew Cartmell resigned from the Board of Directors in December 2025.*

Executive Leadership

Rob Jones

President & CEO

Rachel Kehrig

Chief Experience Officer

Chelsa Materi

Chief Growth Officer

Eddie Tettevi

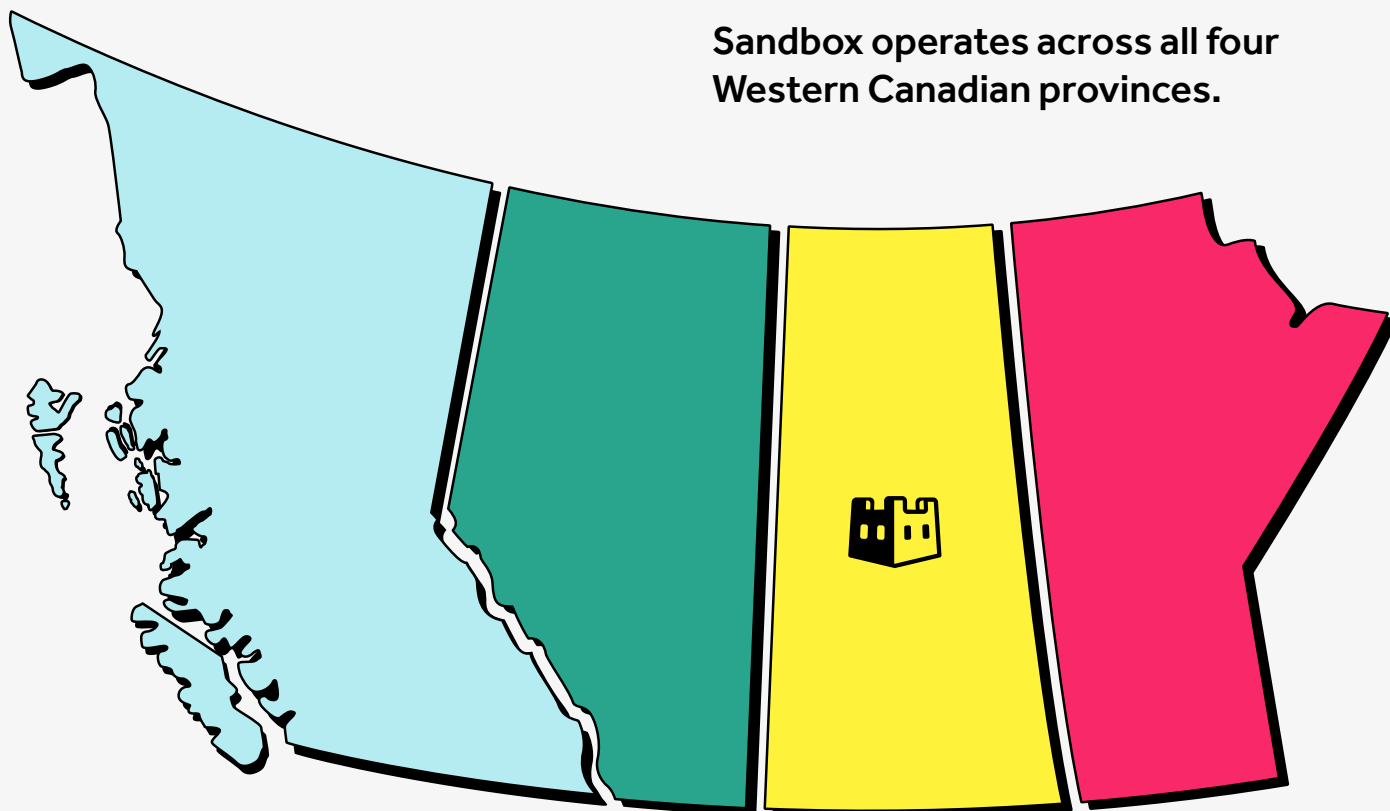
Chief Risk & Compliance Officer

Matt Welykholowa

Chief Transformation Officer

Jennifer Woloschuk

Chief Financial Officer



The following appointed actuary provided an independent assessment of Sandbox's policy liabilities:

Andrea Sherry
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba

Risk & Compliance

At Sandbox Mutual Insurance, we're all about keeping things delightfully simple, even when it comes to managing all aspects of our enterprise and regulatory uncertainties.

Here's how we handle it:

Enterprise Risk Management

We see risk management as part of our growth journey. It's flexible, adaptable, and designed to evolve as we do. By staying agile, we make smart decisions that help us create value while managing risks thoughtfully.

Our day-to-day risk practices are aligned with our risk appetite to keep Sandbox financially strong and resilient. This means we're always ready to handle the unexpected, pay claims reliably—even during tough times and, most importantly, protect the trust and peace of mind of every policyholder we serve.



Risks on Our Radar

Looking ahead, we continue to monitor evolving risks that could impact our operations, our policyholders, and the communities we serve. We regularly assess these risks and take action to strengthen resilience and support bold, smart growth.

Climate Risk

Extreme weather events continue to affect our industry and the communities we serve. We're building our capabilities step by step: in 2025, we formalized our climate governance, established a new Sustainability department, and introduced resilience-focused products. More details will be shared in our 2025 Climate Report, which is planned for release in June 2026.

Underwriting Risk

We closely monitor product pricing, underwriting practices, and performance across regions. This approach supports prudent risk selection, product suitability, and our commitment to policyholder satisfaction.

Reputation Risk

Maintaining the trust of our brokers and policyholders remains a priority for us. We actively manage reputation risk through careful partner selection, ongoing monitoring of public and social channels, and continuous improvement informed by broker and policyholder feedback.

At Sandbox, we're dedicated to navigating these risks thoughtfully, all while keeping your experience delightfully simple.

Key Risks and Our Game Plan

We have identified several key risk areas that require ongoing attention. Our management team has established strategies and controls to mitigate these risks and support growth that lasts.

Strategic Actions Risk

In 2025, we exceeded our strategic milestone of \$180 million in direct written premium (DWP) by delivering an insurance experience designed to be as simple as possible. In 2026, we remain focused on simplicity-first design and executing against a clear roadmap to support progress toward continued profitable growth.

Information Technology Risk

Technology remains a critical enabler of our operations. We work closely with our key technology partners and conduct regular system assessments to maintain reliability, security, and alignment with industry standards. In 2025, we leveraged technology solutions to support process improvements across multiple business areas.

Distribution Risk

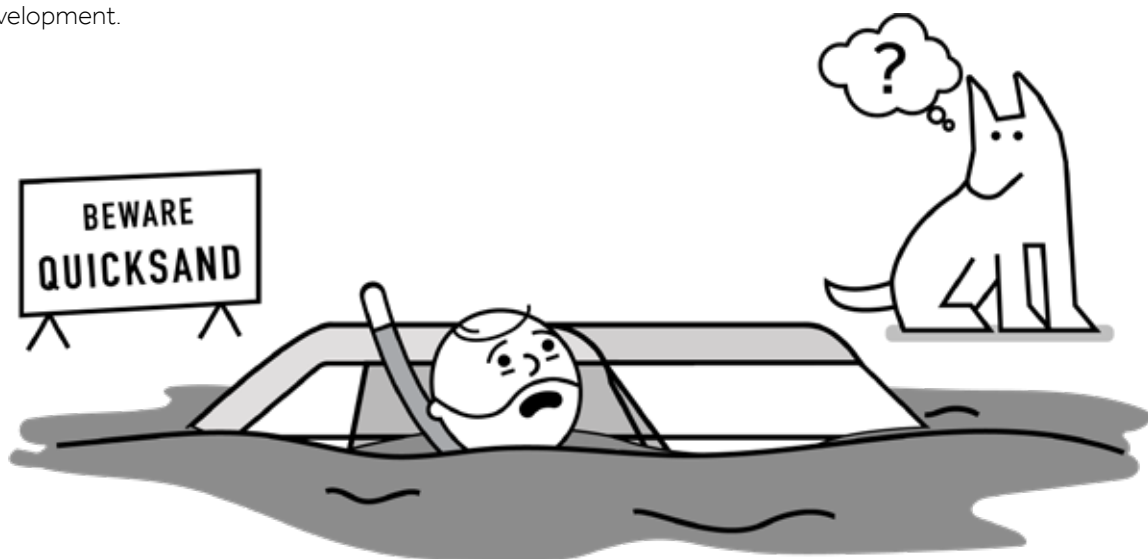
We deliver our products to policyholders through a trusted network of broker partners. Through ongoing engagement and collaboration, we work to ensure our products remain accessible, relevant, and aligned with broker and policyholder needs.

People and Culture Risk

Our people are central to our success. To support our continued growth, we are focused on role clarity, capability development, and engagement. In 2026, we will conduct a workforce audit to identify skill gaps and guide targeted investment in training and development.

Financial Risk

We actively monitor market conditions, capital adequacy, and investment performance. These practices help us maintain strong capital buffers and ensure we can continue to meet our obligations to policyholders.



Report of Management Accountability

The accompanying financial statements of Sandbox Mutual Insurance Company have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and have been approved by the Board of Directors.

Management is responsible for ensuring that these statements are consistent with other information and data contained in the Annual Report and reflect the Company's business transactions and financial position. In preparing these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities depends on future events. Management believes such estimates have been based on careful judgments and are properly reflected in the accompanying financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate, and reliable financial information. The integrity and reliability of the Company's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees, and appropriate delegation of authority and division of responsibilities. The Company's Code of Business Conduct, which is communicated to all levels in the Company, requires employees and directors to maintain high standards in the conduct of the Company's affairs.

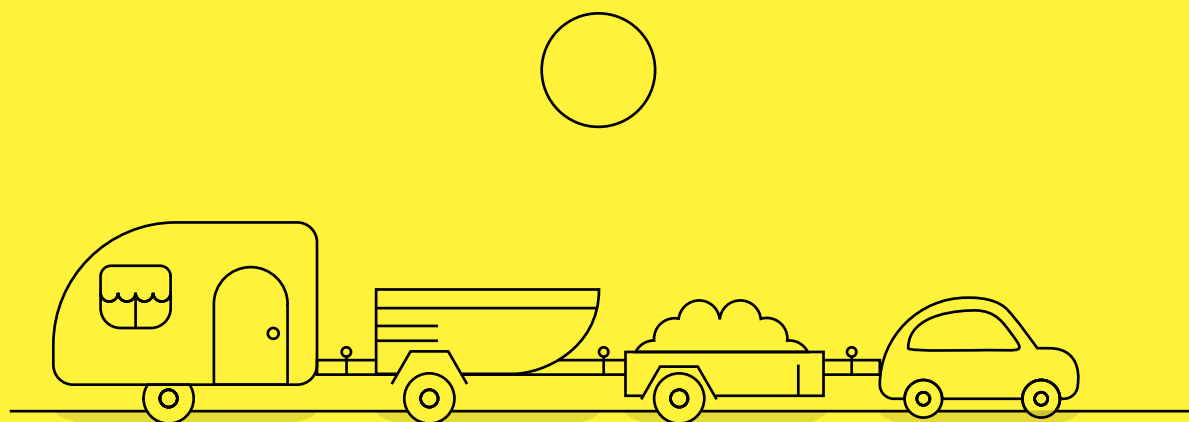
The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal controls and is ultimately responsible for reviewing and approving the financial statements. The Board is assisted in exercising its responsibilities through the Audit & Finance Committee of the Board, composed of five non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements, and to recommend approval of the financial statements to the Board.

The accompanying financial statements have been audited by KPMG LLP. The auditors have access to the Audit & Finance Committee, without management present, to discuss the results of their work. Their report dated February 27, 2026, appearing on page 20, expresses their unqualified opinion on the Company's 2025 financial statements.

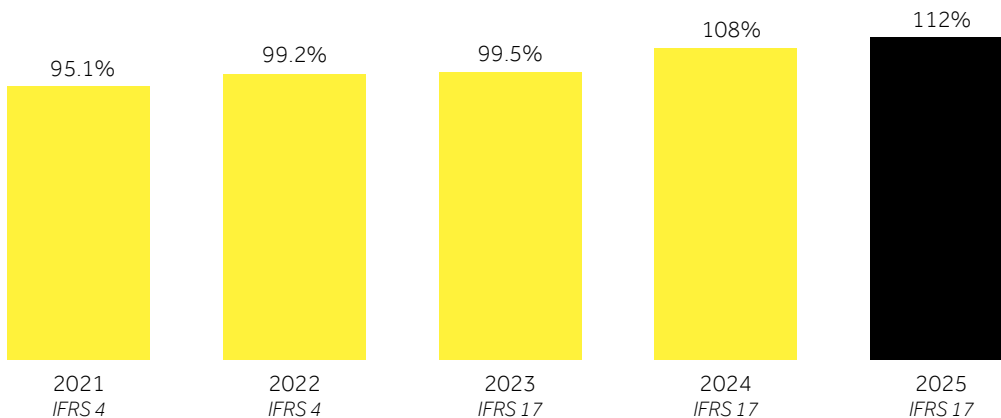
Rob Jones, BComm, BA, ProDir, President & CEO

Jennifer Woloschuk, CPA, CMA, Chief Financial Officer

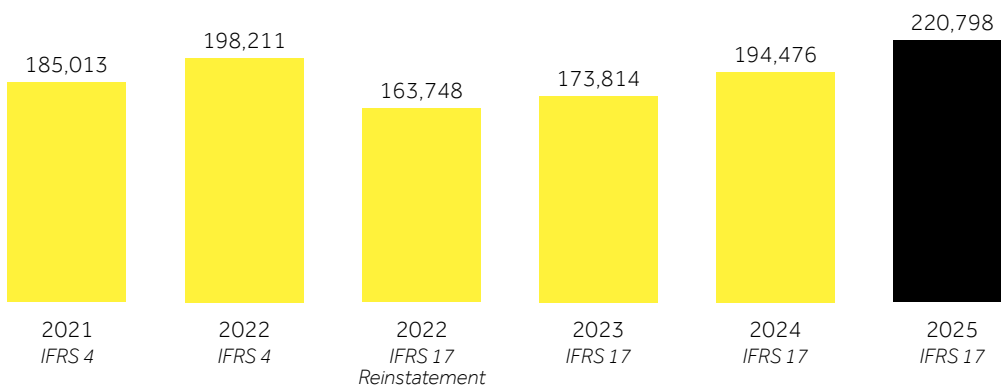
February 27, 2026



Financial Snapshot

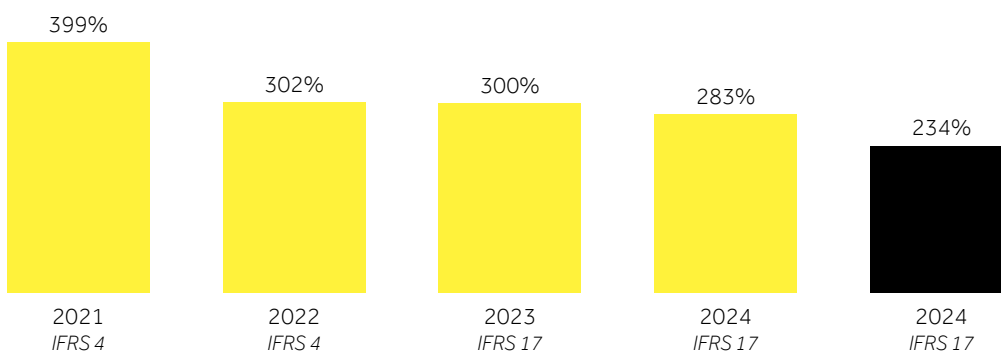


Combined Ratio

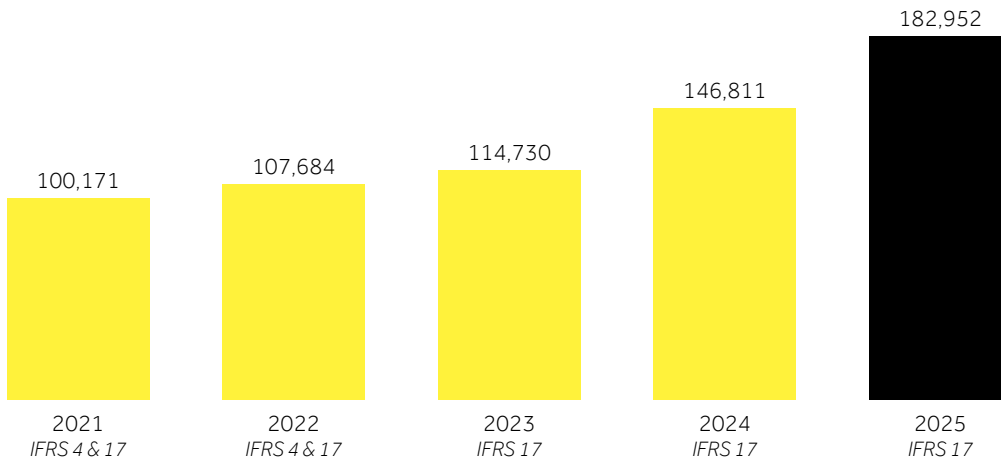


Total Assets

\$ in thousands

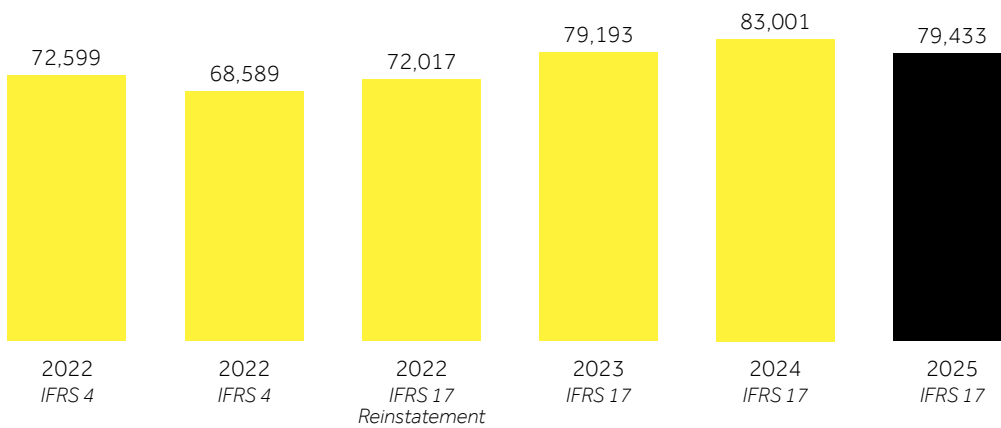


Minimum Capital Test (MCT)



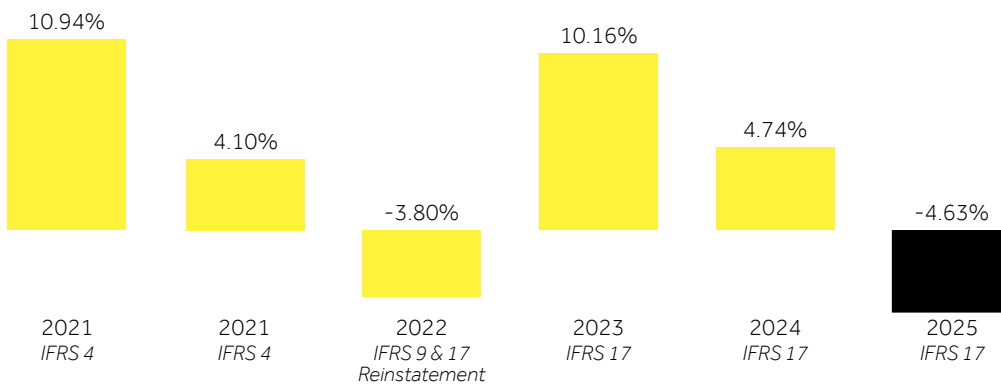
Gross Written Premium

\$ in thousands



Policyholders' Surplus

\$ in thousands



Return on Equity (ROE)

based on comprehensive income

Independent Auditor's Report

To the Policyholders of Sandbox Mutual Insurance Company

Opinion

We have audited the financial statements of Sandbox Mutual Insurance Company (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of comprehensive income for the year then ended
- the statement of changes in policyholders' surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for KPMG LLP, featuring the letters 'KPMG' in a large, bold, sans-serif font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn below the text.

Chartered Professional Accountants

Saskatoon, Canada
February 27, 2026

Statement of Financial Position

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

	2025		2024
Assets			
Cash and cash equivalents	\$ 21,897	\$	17,498
Investments (note 6)	153,327		137,743
Reinsurance contract held assets (note 8)	19,620		14,934
Income taxes receivable (note 11)	2,344		229
Property and equipment (note 9)	13,846		14,731
Asset held for sale (note 10)	499		499
Net pension benefit asset (note 12)	4,620		4,247
Intangible assets (note 13)	4,275		4,317
Other assets	370		278
	\$ 220,798	\$	194,476
Liabilities and Policyholders' Surplus			
Liabilities			
Accounts payable	\$ 3,818	\$	3,763
Insurance contract liabilities (note 8)	130,242		99,980
Deferred tax liability (note 11)	1,766		2,092
Other liabilities	318		307
Long term debt (note 15)	5,221		5,333
	\$ 141,365	\$	111,475
Policyholders' surplus			
Surplus and reserves for protection of policyholders	79,433		83,001
	\$ 220,798	\$	194,476

See accompanying notes to financial statements.

Approved by the Board:

Alan Migneault

Director

Rob Jones

Director

Statement of Comprehensive Income

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

	2025	2024
Insurance revenue (note 8)	\$ 164,510	\$ 128,948
Insurance services expense (note 8 and 17)	(164,490)	(120,999)
Insurance service result from insurance contracts	20	7,949
Reinsurance premiums ceded (note 8)	(14,622)	(11,267)
Recoverable from reinsurers for incurred claims (note 8)	7,985	5,366
Net expense for reinsurance contracts held	(6,637)	(5,901)
Insurance service result	(6,617)	2,048
Net investment income (note 6)	6,303	6,877
Net investment fair value gains (note 6)	4,297	6,078
Net investment income	10,600	12,955
Finance expense from insurance contracts issued (note 8)	(5,342)	(5,320)
Finance income from reinsurance contracts held (note 8)	794	798
Net insurance finance result	(4,548)	(4,522)
Net investment income and insurance finance result	6,052	8,433
Net insurance and investment result	(565)	10,481
Insurance service charge revenue	2,014	1,627
General and operating expenses (note 17)	(6,417)	(6,951)
Earnings (loss) before income taxes	(4,968)	5,157
Income taxes (recovery) (note 11)	(1,207)	1,315
Net earnings (loss)	(3,761)	3,842
Other comprehensive income		
Items that will not be reclassified subsequently to net income:		
Net actuarial loss on employee future benefits (note 12)	260	(46)
Income tax benefit (note 11)	(67)	12
Items that will not be reclassified subsequently to net income	193	(34)
Total other comprehensive income (loss)	193	(34)
Comprehensive income (loss)	\$ (3,568)	\$ 3,808

See accompanying notes to financial statements.

Statement of Changes in Policyholders' Surplus

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

	Surplus and reserves for protection of policyholders	
Balance, January 1, 2024	\$	79,193
Net earnings		3,842
Other comprehensive loss		(34)
Comprehensive income		3,808
Balance, December 31, 2024	\$	83,001
Net loss		(3,761)
Other comprehensive income		193
Comprehensive loss		(3,568)
Balance, December 31, 2025	\$	79,433

See accompanying notes to financial statements.

Statement of Cash Flows

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

	2025		2024
Cash flows from operating activities:			
Net earnings (loss)	\$ (3,761)	\$	3,842
Items not affecting cash:			
Income taxes (recovery)	(1,207)		1,315
Depreciation of property and equipment	1,256		1,070
Amortization of intangible assets	1,946		1,675
Gains on investments	(4,297)		(6,078)
Income taxes (paid)	(1,301)		(3,472)
Change in non-cash balances related to operations:			
Insurance and reinsurance contract assets/liabilities	25,576		13,501
Employee future benefits	(103)		(114)
Receivables	(92)		(45)
Payables	56		1,282
	18,073		12,976
Cash flows from investing activities:			
Purchase of investments	(43,293)		(12,783)
Proceeds from sale of investments	32,006		11,114
Purchase of intangible assets	(1,904)		(1,401)
Purchase of property and equipment	(371)		(717)
	(13,562)		(3,787)
Cash flows from financing activities:			
Payments on long term debt	(112)		(105)
	(112)		(105)
Increase in cash and cash equivalents	4,399		9,084
Cash and cash equivalents, beginning of year	17,498		8,414
Cash and cash equivalents, end of year	\$ 21,897	\$	17,498
Cash and cash equivalents are comprised of:			
Cash in bank less outstanding cheques	14,897		12,498
Short-term investments	7,000		5,000
	\$ 21,897	\$	17,498

See accompanying notes to financial statements.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

1. **Company information:**

Sandbox Mutual Insurance Company (the "Company") is a Canadian federally registered mutual corporation licensed to write property, automobile, liability, fidelity and boiler and machinery insurance, in the provinces of Saskatchewan, Manitoba, Alberta and British Columbia. The Company is subject to the *Insurance Companies Act* (the "Act") and to regulation by the Office of the Superintendent of Financial Institutions Canada ("OSFI") and the Provincial Superintendents of Financial Institutions/Insurance for the provinces in which the Company is licensed. The Company's head office is located at 250 Willis Crescent, Saskatoon, Saskatchewan, S7T 0V2, Canada.

These financial statements have been presented by management to the Audit & Finance Committee. Management and the Audit & Finance Committee report to the Board of Directors, which approved the financial statements on February 26, 2026. The financial statements will be presented for approval by the policyholders at the Annual General Meeting which will take place on May 27, 2026.

2. **Basis of presentation:**

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention, except for; insurance and reinsurance contracts which are measured in accordance with accepted actuarial practice as required by IFRS 17 and the measurement of available for sale financial assets and pension and other benefit liabilities which are measured at fair value.

(c) New accounting standards

IFRS 18, *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosures in Financial Statements*, which will replace IAS 1. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newdefined operating profit sub-total. The Entity's new profit will not change.
- Management defined performance measurers (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

2. **Basis of presentation (continued):**

(c) New accounting standards (continued):

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and must be applied retrospectively. The Company is currently evaluating the impact that this standard will have on its financial statements.

IFRS 9 & IFRS 7 Amendments, *Classification and measurement of financial instruments*

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendments clarify certain concepts relating to classification of financial assets, including those with contingent features. The amendments address the recognition and derecognition of financial assets and liabilities settled using an electronic payment system. The amendments also introduce certain new disclosure requirements for financial instruments measured at fair value through other comprehensive income and amortized cost. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Company is currently evaluating the impact that this amendment will have on its financial statements.

(d) Statement of financial position classification

The statement of financial position has been prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current and non-current amounts.

(e) Functional and presentation currency

These financial statements are presented in Canadian dollars which is also the Company's functional currency.

3. **Material accounting policy information:**

The following principal accounting policies used in the preparation of these financial statements are consistent with those of the previous financial year.

(a) Financial instruments:

(i) Initial recognition

At initial recognition, the Company measures a financial asset or financial liability at its fair value, plus or minus (in the case of a financial asset or financial liability not at fair value through profit or loss) transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed following the change in business model.

The Company invests in pooled funds with underlying assets of short-term fixed income, bonds and debentures, mortgages and equities which represents fund portfolios that are managed and whose performance are evaluated on a fair value basis in accordance with its investment policy. The Company classifies these investments at fair value through profit or loss.

Cash and cash equivalents consist of balances with financial institutions and short-term investments with an initial term to maturity of three months or less, net of cheques and other items in transit. Cash and cash equivalents are classified and measured at amortized cost because they are held within a business model to collect contractual cash flows and pass the solely payments of principal and interest (SPPI) test.

For receivables, the Company considers these financial assets to be held within a business model whose objective is to hold assets to collect the contractual cash flows related to the financial assets that are solely comprised of principal and interest.

(a) Financial instruments:

(ii) Impairment of financial asset

The Company applies a simplified impairment approach for receivables and measured at amortized cost that are short dated and with low history of loss. The loss allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit losses.

(iii) Determination of fair value

The fair value of available for sale financial assets is based on quoted market prices of the underlying investments at the statement of financial position date without any deduction for estimated future selling costs. The Company accounts for available for sale financial assets using trade date accounting.

The fair value of financial liabilities is based on quoted market prices of the underlying liability at the statement of financial position date.

(iv) Classification and subsequent recognition of financial liabilities

Financial liabilities include accounts payable, loan due on demand and other liabilities. These are measured at amortized cost using the effective interest rate method. The classification is determined by management at initial recognition and depends on the purpose for which the liabilities were incurred.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. Material accounting policy information (continued):

(b) Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation. Cost includes expenditures directly attributable to the acquisition of the asset. Interest on debt was capitalized into the cost of the building under construction and subsequently capitalized into the building after construction and occupation.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable the future economic benefits will flow to the Company and the cost of the item can be reasonably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to net earnings during the financial period in which they are incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in net earnings over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. Depreciation on other assets is calculated using either the straight-line or declining balance as follows:

Asset	Basis	Rate
Building	Straight-line	50 years
Building – major components	Straight-line	20 – 35 years
Furniture and equipment	Declining balance	20%
Computer equipment	Straight-line	3 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount. These are included and recognized with investment income in net earnings.

(c) Assets held for sale:

Assets are recognized and designated as held for sale when it has been discontinued for operational use, and it is held temporarily pending probable sale. Assets held for sale are measured at the lower of their carrying amounts or fair value less costs to sell.

(d) Intangible assets:

The Company's intangible assets consist of identifiable and unique software controlled by the Company. Costs directly attributable to the design and testing of identifiable and unique software controlled by the Company are recognized as intangible assets when the costs can be measured reliably, the product is feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete the development and use the asset. The expenditures capitalized include the cost of software development and employee costs directly related to the testing and implementation of the software.

Customized computer software is not amortized until such time as the asset is available for use, after which it is amortized on a straight-line basis over its useful life which ranges from two to ten years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

(d) Intangible assets (continued):

Intangible assets are assessed for impairment whenever there is an indication the intangible asset may be impaired. An impairment loss is recognized when the carrying amount exceeds the fair value.

(e) Insurance contracts:

(i) Definition and classification of insurance contracts

The Company issues property, casualty and automobile insurance contracts with a duration of a year or less. Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Property insurance contracts compensate the Company's policyholders for damage suffered to their property or for the value of property lost. Policyholders who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Casualty insurance contracts protect the Company's policyholders against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for individual and business policyholders who become liable to pay compensation to a third party for bodily harm or property damage (public liability) and for employers who become legally liable to pay compensation to injured employees (employers' liability).

Automobile insurance contracts compensate the Company's policyholders for damage suffered to their automobiles and provide financial protection against third party physical damage and/or bodily injury resulting from traffic collisions and against liability that could also arise therefrom.

(ii) Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements.

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group in a level of aggregation may contain contracts issued more than one year apart.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

(e) Insurance contracts (continued):

(ii) Level of aggregation (continued):

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

(iii) Summary of measurement approaches

The Company measures insurance contracts issued and reinsurance contracts held applying the premium allocation approach (PAA) as the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary or the measurement of the liability for remaining coverage (LRC) for the group in general measurement model (GMM) that would not differ materially from the one that would be produced applying the PAA. The LRC is not adjusted to reflect the time value of money and effect of financial risk.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the cost of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. These costs are deferred and amortized into profit and loss as the related premiums are earned. Insurance acquisition cash flows paid before the recognition of the related group of contracts are recognized as an asset and subsequently derecognized and included within the group of insurance contracts when the related contracts are recognized.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognized, to reflect changes in assumptions. At each reporting date, the Company assesses for impairment and will recognize impairment losses when the carrying amount of the asset exceeds the expected net cash inflows for the related group of insurance contracts. The Company reverses any impairment losses and increases the carrying amount of the asset to the extent that the impairment conditions have reversed.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfills insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 4.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

(e) Insurance contracts (continued):

(iii) Summary of measurement approaches (continued):

Insurance Contract Liabilities - Initial Measurement

On initial recognition of each group of insurance contracts that is not onerous at initial recognition, the Company measures the LRC as:

- Premiums received on initial recognition;
- Less any insurance acquisition cash flows allocated to the group, adjusted for any amounts previously recognized for cash flows related to the group; and
- Any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

If there are indications a group of insurance contracts is onerous, then the Company recognizes a loss in insurance service expense in the statement of comprehensive income and increases the LRC coverage if the current estimates of the fulfillment cash flows that relate to remaining coverage exceed the carrying amount of the LRC. This excess is recognized as a loss component within the LRC, which is reported in insurance contract liabilities on the statement of financial position.

Insurance Contract Liabilities - Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the LIC.

The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period:

- Plus premiums received in the period;
- Plus the amortization of insurance acquisition cash flows recognized as expenses;
- Minus the amount recognized as insurance revenue for services provided;
- Minus any additional insurance acquisition cash flows allocated after initial recognition.

The LIC includes the fulfillment cash flows for losses on claims and expenses that have not yet been paid, including those that have been incurred but not reported. The LIC reflects current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk. The Company adjusts the LIC to reflect the time value of money and financial risk that considers the characteristics of the liabilities and the duration of each portfolio of contracts.

The Company remeasures the loss component using the same calculation as on initial recognition and reflects any changes by adjusting the loss component as required until the loss component is reduced to zero. If a loss component did not exist on initial recognition but there are indications that a group of contracts is onerous on subsequent measurement, then the Company established a loss component using the same methodology as on initial recognition.

Reinsurance Contract Assets - Initial Measurement

The Company measures its reinsurance contract assets for a group of reinsurance contracts it holds on the same basis as insurance contracts it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

(e) Insurance contracts (continued):

(iii) Summary of measurement approaches (continued):

When there is an onerous group of underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held.

This loss recovery component adjusts the carrying amount of the reinsurance contract asset held.

Reinsurance Contract Assets – Subsequent Measurement

The subsequent measurement of reinsurance contract assets held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

If a loss-recovery component exists, it is adjusted on subsequent measurement to reflect changes in the loss component of the onerous group of underlying contracts to the extent that it impacts reinsured cash flows, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contract assets held.

(iv) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Potential cash inflows from both salvage and subrogation are included with the cash flows of the boundary of an insurance contract and, to the extent they do not qualify for recognition as separate assets, potential cash inflows from recoveries on past claims.

(v) Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

(vi) Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits;
- other incurred directly attributable insurance service expenses;
- amortization of insurance acquisition cash flows; and
- changes relating to past service (i.e. changes in the future cash flows relating to the LIC).
- changes relating to future service - onerous contract losses or reversals of those losses.

The amortization of insurance acquisition cash flows is based on the passage of time.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

(e) Insurance contracts (continued):

(vi) Insurance service expenses (continued)

Other expenses not meeting the above categories are included in general and operating expenses in the statement of comprehensive income.

(vii) Net expense for reinsurance contracts held

Included in net expenses from reinsurance contracts held on the statement of comprehensive income are amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows contingent on claims on the underlying contracts as part of the claims expected to be reimbursed under the reinsurance contract held. Where reinsurance cash flows are not contingent on claims on the underlying contracts, they are included as part of the allocation of reinsurance premiums ceded.

(viii) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money; and the effect of financial risk and changes in financial risk. The Company presents insurance finance income or expenses within comprehensive income each period.

(f) Income taxes:

Income tax expense comprises current and deferred tax. Tax is recognized in net earnings, except to the extent it relates to items recognized directly in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognized, using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled.

Deferred tax assets are recognized to the extent that it is probable future taxable income will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

(g) Employee benefits:

(i) Pension obligations

The Company maintains a pension plan for substantially all of its employees. The plan is composed of defined contribution provisions as well as defined benefit pension provisions.

For the defined contribution provisions, the Company's obligations are limited to contributions made for current service.

The Company's defined benefit pension provisions are available to certain of its employees. The defined benefit provisions define an amount of pension benefit an employee will receive on retirement, dependent upon age, years of service and compensation. Service was frozen as of June 30, 2014.

The asset/(liability) recognized in the statement of financial position in respect of the defined benefit pension provisions is the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the end of the financial reporting period together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected benefit method. Accordingly, the cost is pro-rated on service and charged to expense as services are rendered. This cost reflects management's best estimates of salary escalations, mortality of members, terminations and the ages at which members will retire and the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate.

Past service costs from plan amendments to the defined benefit provisions are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Re-measurements on assets relating to the defined benefit provisions arise from the difference between the actual return on plan assets for a period and the interest income credited on plan assets at the rate used to discount the defined benefit obligation for that period. Re-measurements on the defined benefit obligation result from actuarial gains (losses) arising from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Net re-measurement gains (losses) are recognized in other comprehensive income in the period they occur. Such re-measurements are also immediately reclassified to surplus and reserves for protection of policyholders as they will not be reclassified to net earnings in subsequent periods.

(ii) Other post-employment obligations

The Company accounts for the cost of all non-pension future benefits, including accumulated sick leave payouts and life insurance for eligible retirees on an accrual basis. These costs are recognized in net earnings in the period during which services are rendered and are determined by independent actuaries annually using the projected benefit method pro-rated on service. This method reflects management's best estimate of salary escalations, mortality of members, terminations and the ages at which members will retire and the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

3. **Material accounting policy information (continued):**

(g) Employee benefits (continued):

(ii) Other post-employment obligations (continued)

Re-measurements on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Net re-measurement gains (losses) are recognized in other comprehensive income in the period they occur. Such re-measurements are also immediately reclassified to surplus and reserves for protection of policyholders as they will not be reclassified to net earnings in subsequent periods.

The accumulated value for other employee future benefits is recorded in the statement of financial position in "Other liabilities".

4. **Use of estimates and judgements:**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management reviews these estimates and assessments periodically, based on past experience and other factors. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Actual results could differ from these estimates.

Information about significant areas of judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3(e)(i) – classification of insurance, reinsurance contracts: assessing whether the contract transfers significant insurance risk;
- Note 3(e)(ii) – Level of aggregation of insurance and reinsurance contracts held (that is, having similar risks and being managed together): determining of contracts sets within portfolios and whether the Company has reasonable and supportable information to conclude all contracts within a set would fall into the same group; and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;
- Note 3(e)(iii) – Judgment involved in the PAA eligibility assessment for insurance and reinsurance contracts with a coverage period of more than one year; and measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract;
- Note 12 – Employee future benefits; measurement of defined benefit obligations: key actuarial assumptions.
- Note 3(e)(iii) – IFRS 17 assumptions and estimates

Estimate of the liability for remaining coverage (LRC)

The establishment of the Liability for Remaining Coverage (LRC) is influenced by several factors, including the expected fulfilment cash flows for each group of contracts. For groups of contracts that are identified onerous, the LRC is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognized on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

The company does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money or the effect of financial risk for any of its product lines.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

4. Use of estimates and judgements (continued):

Estimate of the liability for incurred claims (LIC)

The establishment of the LIC is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. Uncertainty exists on reported claims since all information may not be available at the reporting date. In addition, claims may not be reported to the Company immediately, therefore estimates are made of the value of claims incurred but not yet reported. Factors considered include the Company's experience with similar cases and historical trends involving claims payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns, such as those caused by natural disasters or accidents.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claim department's personnel and independent adjusters retained to handle individual claims, the quality of data used for projection purposes, existing claims management practices, including claims handling are a critical part of the LIC determination, since the longer the span between the incident of loss and the payment or settlement of the claims, the more variable the ultimate settlement can be. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as general and auto liability claims.

Consequently, the establishment of the LIC process relies on the judgment and opinions of a large number of individuals, on historical precedent, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The LIC and related reinsurers' share involves risk that actual amounts could vary materially from estimates in the near term.

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below together with information about the basis of calculation for each affected line item in the financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios, in which the assumptions used are derived to approximate the probability weighted mean of a full range of scenarios. For the sensitivities with regard to the assumptions made that have the most significant impact on measurement, refer to note 7.

Discount rates

Discount rates are derived using the bottom-up approach. Discount rates are based on the risk-free yield curves plus an illiquidity premium where applicable.

The Company utilizes the risk-free curves published by Bank of Canada which provide a full-term structure of interest rates. The illiquidity premium will be calculated on an annual basis. The illiquidity premiums are calculated in a similar way to the reference curve developed by the Canadian Institute of Actuaries (CIA), as the sum of an additive factor (but that varies by years to maturity) and 70% of the reference portfolio (that is comprised of investment grade corporate bonds) yield spread over risk free rates. The yield spread of the reference portfolio will be calculated based on an average of multiple years of yields to add a stability to the resulting illiquidity premium.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

4. Use of estimates and judgements (continued):

Discount rates (continued):

Discount rates applied for discounting of future cash flows are listed below as at December 31:

Yield Curve	Insurance contracts issued/Reinsurance contracts held							
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years
2025	3.2%	3.5%	3.7%	3.9%	4.1%	4.2%	4.4%	4.7%
2024	3.9%	3.9%	3.9%	4.0%	4.1%	4.3%	4.4%	4.6%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has estimated the risk adjustment using a value-at-risk confidence level method to generally be in the range of the 75th to 80th percentile of the stochastically simulated results. This analysis has also been adjusted for correlation between different reserving segments, and the diversification between them.

5. Role of the actuary and auditor:

The actuary is appointed by the Board of Directors pursuant to the *Insurance Companies Act*. The actuary's responsibility is to carry out an annual valuation of the Company's insurance contract assets and liabilities, which consist of provisions for the liability for incurred claims (LIC) including the reinsurance equivalent (ALIC) and the liability for remaining coverage (LRC) as well as the reinsurance equivalent (ALRC). The valuation is made in accordance with accepted actuarial practice and regulatory requirements and reported thereon to the policyholders. The actual development of the liabilities will vary from the valuation and may, in fact, vary materially. Examination of supporting data for accuracy and completeness, and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion. The actuary, in this verification of the underlying data used in the valuation, also makes use of the work of the external auditor. The actuary's report outlines the scope of their work and opinion.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

6. Financial Instruments:

The carrying amounts of the Company's financial assets are set out below.

December 31, 2025	Fair Value Through Profit or Loss	Amortized cost	Total
Investments			
Short-term fixed income pooled fund	\$ 121,789	- \$	121,789
Mortgages pension trust fund	15,267	-	15,267
Canadian equity fund	8,256	-	8,256
Global equity fund	8,015	-	8,015
Total investments	\$ 153,327	- \$	153,327
Cash and cash equivalents	-	21,897	21,897
Other assets	-	370	370
Total financial assets	- \$	22,267 \$	175,594
Accounts payable	-	3,818	3,818
Long-term debt	-	5,221	5,221
Total financial liabilities	- \$	9,039 \$	9,039
December 31, 2024			
Investments			
Short-term fixed income pooled fund	\$ 95,134	- \$	95,134
Mortgages pension trust fund	14,539	-	14,539
Canadian equity fund	6,935	-	6,935
Global equity fund	21,135	-	21,135
Total investments	\$ 137,743	- \$	137,743
Cash and cash equivalents	-	17,498	17,498
Other assets	-	278	278
Total financial assets	\$ 137,743	\$ 17,776 \$	155,519
Accounts payable	-	3,763	3,763
Long-term debt	-	5,333	5,333
Total financial liabilities	- \$	9,096 \$	9,096

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

6. Financial Instruments (continued):

(a) Amounts recognized in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss:

	2025		2024
Net investment income			
Interest income on short term investments	\$ 512	\$	494
Fixed income distributions	4,577		4,137
Dividends	404		437
Gain on disposal	1,305		2,096
Investment income	6,798		7,164
Investment expenses	495		287
Total net investment income	\$ 6,303	\$	6,877
Fair value gains			
Short-term fixed income	\$ 602	\$	1,720
Mortgage pension fund	166		302
Canadian equities	2,014		1,099
Global equities	1,515		2,957
Total net investment fair value gains	\$ 4,297	\$	6,078

No expected credit losses were recognized in 2025 (2024: nil).

(b) Risk exposure

Information about the Company's risk exposure is provided in note 16.

(c) Fixed income securities held in pooled funds by issuer

The breakdown of fixed income securities held in pooled funds by issuer at December 31 is shown in the following table:

	2025		2024
Bonds issued by:			
Federal	17.7%		28.0%
Provincial	3.9%		2.8%
Corporate			
A rated or higher	26.2%		20.1%
BBB rated or lower	26.6%		22.9%
Short-term investments (A rated or higher)	12.9%		10.9%
Mortgages			
Federal			
Other	12.7%		15.3%
Total	100.0%		100.0%

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

6. Financial Instruments (continued):

(c) Fixed income securities held in pooled funds by issuer (continued)

Liquidity and interest rate risk:

	Effective yield	Duration
Short-term fixed income pooled fund	3.47%	2.6 years
Mortgage pension fund	4.10%	2.7 years

(d) Fair value measurements

The Company categorizes its investments that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Investments measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted market prices for similar assets or liabilities in active markets, valuation based on significant observable inputs or inputs derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes.

At December 31, 2025 and December 31, 2024 all of the Company's investments were categorized as level 2 investments. The fair value of financial instruments carried at amortized cost is approximately equal to the carrying values.

7. Insurance risk:

Like other insurance companies, the business activities of the Company expose it to a wide variety of risks. Effective risk management is vital to making sound business decisions, both strategically and operationally. It involves identifying and understanding the risks the Company is exposed to and taking measures to manage these risks within acceptable tolerances. Material risks are managed through a combination of board policy, management monitoring and other management practices.

Insurance risk is a category of risk at the Company characterized by the inherent variability of a legally bound insurance contract. It is composed of three risk types: underwriting, claims adequacy and concentration risks. The majority of the underwriting risks the Company is exposed to is of a short-tail nature as the average duration of LIC is 1.3 years as at December 31, 2025 (1.4 years at December 31, 2024). Policies generally cover a twelve-month period.

Underwriting risks reflect the Company's exposure to financial loss from the selection and approval of risks to be insured. All policy applications are underwritten by a trained underwriter to ensure the risk falls within acceptable quality standards. This process includes a review of each applicant's prior insurance and claims history. Underwriting guideline manuals, underwriting procedure manuals and rate manuals are used to maintain consistency. These manuals are updated on a regular basis. In addition, authority limits for accepting risk are utilized and the work in the underwriting area is self-assessed and audited by the internal audit function on a regular basis.

Underwriting risks are associated with the failure to forecast claims experience resulting in inadequate premium rates. The Company's underwriting objective is to market products within a target market to achieve profitable underwriting results.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

7. Insurance risk (continued):

Products are priced taking into account numerous factors including claims frequency and severity trends, market position and expense ratios. Market share will decrease if an appropriate price cannot be obtained. This is mitigated by regular underwriting reviews of product rate adequacy.

Underwriting risks also include the failure to develop and maintain products to address changing market needs. The importance of including effective, up-to-date and modern products within the offerings of the Company is addressed within the business planning initiatives including corporate structure and project priorities set. Market share will decrease if appropriate and effective product offerings are not available.

Claims adequacy risks refer to the Company's exposure to financial loss relating to the reserving and adjudication of claims due to inaccurate actuarial assumptions or ineffective claims adjudication practices and guidelines. The Company utilizes a combination of internal and external adjusters to adjust claims. Authority limits, based upon education and experience, are established. In addition, claims guidelines, bulletins and manuals are used to maintain consistency. The claims staff is well trained and work in the claims area is self-assessed on a regular basis. Year-end reserves for policy liabilities are subjected to analysis for adequacy by the appointed actuary, who is not an employee of the Company.

Claims adequacy risks are also associated with incurring large-scale losses due to insurable events of high severity low frequency or to a combination of smaller events with higher claims frequency. In the normal course of business, the Company seeks to reduce loss arising from catastrophic or other events that cause unfavorable underwriting results by reinsuring certain levels of risk, in various areas of exposure, with other insurers. Reinsurance ceded does not relieve the Company of primary liability as the originating insurer and failure of reinsurers to honor their obligations could result in losses to the Company. Reinsurance risks are a type of strategic risk and refers to the uncertainties associated with the reinsurance program being ineffective or unaffordable due to program design.

The Company follows the policy of underwriting and reinsuring through excess contracts of insurance which limit the liability of the Company. The Company's retention is \$1 million (2024 - \$1 million) in the event of a single loss.

Catastrophe events caused by such actions as wind, hail and sewer backup are events resulting in multiple property claims arising from a single occurrence with net incurred claims and adjusting expenses greater than \$0.1 million (2024 - \$0.1 million). These are an inherent risk of property and casualty insurance and contribute to material year-to-year fluctuations in the Company's results of operations and financial condition when they occur. The level of catastrophe loss experienced in any year cannot be predicted and could be material to the results of operations and financial position. The Company has catastrophe reinsurance with an upper limit of \$120 million (2024 - \$70 million) and which limits the Company's liability to \$4 million (2024 - \$2 million) in the event of multiple property claims arising from a single catastrophic event. The Company's catastrophe excess of loss reinsurance program is not subject to an annual aggregate deductible in relation to catastrophe losses (2024 - \$2 million).

While there is no guarantee a catastrophe would not result in claims in excess of the maximum reinsurance coverage, management considers the level of protection prudent.

A key aspect of the insurance risk faced by the Company is the extent of concentration risks associated a particular event or series of events that could materially impact the Company's liabilities. Concentration risks may arise from a single insurance liability, or from the accumulation of risks within a number of individual classes, distribution channels or contract tranches.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

7. Insurance risk (continued):

Sensitivity analysis

Sensitivity analysis presents how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact profit or loss before and after risk mitigation by reinsurance contracts held. The Company is highly sensitive to the changes in expected loss, inflation and interest rate.

		Impact on earnings before tax		Impact on surplus	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Expected loss	+5%	\$ (4,710)	\$ (3,806)	\$ (3,504)	\$ (2,832)
Inflation rate	+1%	(521)	(432)	(388)	(321)
Interest rate	+1%	1,362	1,174	1,014	873
Expected loss	-5%	4,710	3,806	3,504	2,832
Inflation rate	-1%	521	432	388	321
Interest rate	-1%	(1,429)	(1,233)	(1,063)	(917)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Company in the methods and assumptions used in preparing the above analysis.

Claim development:

The following tables present the development of claim payments and the estimated ultimate cost of claims for the claim years 2016 to 2025. The upper half of the table shows the cumulative amounts paid or estimated to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

7. Insurance risk (continued):

Claim development (continued):

Net claim development	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of ultimate claim costs											
At end of accident year	\$ 48,192	\$ 43,543	\$ 47,750	\$ 41,111	\$ 44,677	\$ 48,642	\$ 59,548	\$ 54,172	\$ 77,110	\$ 98,815	\$ 563,560
One year later	46,060	41,656	48,102	40,932	42,766	48,269	60,521	50,736	78,700		457,742
Two years later	45,142	40,462	46,887	40,192	41,467	46,318	59,610	50,681			370,759
Three years later	45,003	40,864	46,963	40,228	41,827	46,323	59,462				320,670
Four years later	44,740	40,805	46,663	40,495	41,458	46,018					260,179
Five years later	44,869	41,110	45,732	40,713	41,496						213,920
Six years later	44,935	38,374	45,931	40,860							170,100
Seven years later	45,449	38,532	45,962								129,943
Eight years later	45,777	38,458									84,235
Nine years later	45,652										45,652
Current estimate of Net claims and other directly attributable expenses	45,652	38,458	45,962	40,860	41,496	46,018	59,462	50,681	78,700	98,815	546,104
Cumulative paid	45,414	38,180	44,972	38,704	40,878	44,954	54,007	45,850	64,052	39,426	456,437
Net cumulative claims liabilities for the ten most recent accident years	238	278	990	2,156	618	1,064	5,455	4,831	14,648	59,389	89,667
Net cumulative claims liabilities for accident year 2015 and prior											2,766
Account receivable/payable											445
Effect of discounting											(4,923)
Effect of risk adjustment for non-financial risk											6,241
Gross LIC (Refer to note 8)											\$ 94,196

The Company provides information on the gross and net claims development for the current reporting period and ten years prior to it. The Company considers that there is no significant uncertainty with regard to claims that were incurred more than 10 years before the reporting period.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

7. Insurance risk (continued):

Claim development (continued):

Net claim development	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of ultimate claims costs											
At end of accident year	\$ 31,419	\$ 36,190	\$ 45,919	\$ 39,849	\$ 39,815	\$ 46,200	\$ 55,911	\$ 51,949	\$ 67,942	\$ 89,193	\$ 504,387
One year later	30,388	34,859	46,206	39,700	38,374	45,358	56,351	49,437	69,264		409,937
Two years later	29,793	34,000	45,786	38,925	37,253	43,713	55,572	49,425			334,467
Three years later	29,674	34,313	45,937	38,965	37,562	43,778	55,457				285,686
Four years later	29,457	34,100	45,637	39,234	37,213	43,745					229,386
Five years later	29,574	34,193	44,783	39,465	37,254						185,269
Six years later	29,632	34,057	44,985	39,555							148,229
Seven years later	30,071	34,202	45,019								109,292
Eight years later	30,352	34,136									64,488
Nine years later	30,244										30,244
Current estimate of net claims and other directly attributable expenses	30,244	34,136	45,019	39,555	37,254	43,745	55,457	49,425	69,264	89,193	493,292
Cumulative paid	30,041	33,905	44,030	37,461	36,644	42,716	51,247	44,724	59,741	38,651	419,160
Net cumulative claims liabilities for the ten most recent accident years	203	231	989	2,094	610	1,029	4,210	4,701	9,523	50,542	74,132
Net cumulative claims liabilities for accident year 2015 and prior											1,556
Account receivable/payable											(681)
Effect of discounting											(4,139)
Effect of the risk adjustment for non-financial risk											5,252
Net LIC (Refer to note 8)											\$ 76,120

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(in thousands of Canadian dollars)

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8. Insurance contract issued and reinsurance contract held (continued):

Total contracts

Reconciliation of insurance contracts issued – current period

	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as of January 1, 2025	\$ 29,394	\$ -	\$ 67,115	\$ 3,471	\$ 99,980
Insurance revenue	(164,510)	-	-	-	(164,510)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	-	-	106,652	3,383	110,035
Amortization of insurance acquisition cash flows	54,861	-	-	-	54,861
Changes that relate to past service	-	-	470	(876)	(406)
Total insurance service expenses	54,861	-	107,122	2,507	164,490
Total gross insurance service result	(109,649)	-	107,122	2,507	(20)
Cash inflows/(outflows) in the period					
Premiums received	175,207	-	-	-	175,207
Insurance acquisition cash flows	(58,906)	-	-	-	(58,906)
Claims and other insurance service expenses paid	-	-	(91,361)	-	(91,361)
Net cash inflows/(outflows)	116,301	-	(91,361)	-	24,940
Insurance finance (income)/expense	-	-	5,079	263	5,342
Total changes not related to provision of insurance service	-	-	5,079	263	5,342
Insurance contract liabilities as of December 31, 2025	\$ 36,046	\$ -	\$ 87,955	\$ 6,241	\$ 130,242

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Year ended December 31, 2025, with comparative figures for 2024

8. Insurance contract issued and reinsurance contract held (continued):

Total contracts (continued)

Reconciliation of insurance contracts issued – prior period

	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as of January 1, 2024	\$ 24,171	\$ -	\$ 55,399	\$ 2,798	\$ 82,368
Insurance revenue	(128,948)	-	-	-	(128,948)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	-	-	83,011	1,750	84,761
Amortization of insurance acquisition cash flows	42,091	-	-	-	42,091
Changes that relate to past service	-	-	(4,525)	(1,328)	(5,853)
Total insurance service expenses	42,091	-	78,486	422	120,999
Total gross insurance service result	(86,857)	-	78,486	422	(7,949)
Cash inflows/(outflows) in the period					
Premiums received	138,448	-	-	-	138,448
Insurance acquisition cash flows	(46,368)	-	-	-	(46,368)
Claims and other insurance service expenses paid	-	-	(71,839)	-	(71,839)
Net cash inflows/(outflows)	92,080	-	(71,839)	-	20,241
Insurance finance (income)/expense	-	-	5,069	251	5,320
Total changes not related to provision of insurance service	-	-	5,069	251	5,320
Insurance contract liabilities as of December 31, 2024	\$ 29,394	\$ -	\$ 67,115	\$ 3,471	\$ 99,980

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(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

8. Insurance contract issued and reinsurance contract held:

Reconciliation reinsurance contracts held – current period

	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as of January 1, 2025	\$ 1,479	-	\$ 12,851	\$ 604	\$ 14,934
Reinsurance premiums	(14,622)	-	-	-	(14,622)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	-	-	8,685	400	9,085
Changes to recoveries of incurred claims that relate to past service	-	-	(1,047)	(53)	(1,100)
Total amounts recovered from reinsurance	-	-	7,638	347	7,985
Total reinsurance service result	(14,622)	-	7,638	347	(6,637)
Cash inflows/(outflows) in the period					
Reinsurance premiums paid	14,687	-	-	-	14,687
Amounts received under reinsurance contracts held	-	-	(4,158)	-	(4,158)
Net cash inflows/(outflows)	14,687	-	(4,158)	-	10,529
Reinsurance finance (income)/expense	-	-	756	38	794
Total changes not related to provision of reinsurance service	-	-	756	38	794
Reinsurance contract assets as of December 31, 2025	\$ 1,544	\$ -	\$ 17,087	\$ 989	\$ 19,620

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(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

8. Insurance contract issued and reinsurance contract held (continued):

Reconciliation reinsurance contracts held – prior period

	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as of January 1, 2024	\$ 1,385	-	\$ 9,073	\$ 365	\$ 10,823
Reinsurance premiums	(11,267)	-	-	-	(11,267)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	-	-	9,578	374	9,952
Changes to recoveries of incurred claims that relate to past service	-	-	(4,418)	(168)	(4,586)
Total amounts recovered from reinsurance	-	-	5,160	206	5,366
Total reinsurance service result	(11,267)	-	5,160	206	(5,901)
Cash inflows/(outflows) in the period					
Reinsurance premiums paid	11,361	-	-	-	11,361
Amounts received under reinsurance contracts held	-	-	(2,147)	-	(2,147)
Net cash inflows/(outflows)	11,361	-	(2,147)	-	9,214
Reinsurance finance (income)/expense	-	-	765	33	798
Total changes not related to provision of reinsurance service	-	-	765	33	798
Reinsurance contract assets as of December 31, 2024	\$ 1,479	\$ -	\$ 12,851	\$ 604	\$ 14,934

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

9. Property and equipment:

Cost	Land	Buildings and building components	Furniture and equipment	Computer hardware	Total
December 31, 2024	\$ 2,975	\$ 11,393	\$ 1,345	\$ 1,649	\$ 17,362
Additions	-	9	11	351	371
Disposals	-	-	-	(8)	(8)
December 31, 2025	\$ 2,975	\$ 11,402	\$ 1,356	\$ 1,992	\$ 17,725

Accumulated depreciation	Land	Buildings and building components	Furniture and equipment	Computer hardware	Total
December 31, 2024	\$ -	\$ 675	\$ 682	\$ 1,274	\$ 2,631
Depreciation	-	313	305	638	1,256
Disposals	-	-	-	(8)	(8)
December 31, 2025	\$ -	\$ 988	\$ 987	\$ 1,904	\$ 3,879

Net book value	Land	Buildings and building components	Furniture and equipment	Computer hardware	Total
December 31, 2024	\$ 2,975	\$ 10,718	\$ 663	\$ 375	\$ 14,731
December 31, 2025	\$ 2,975	\$ 10,414	\$ 369	\$ 88	\$ 13,846

10. Asset held for sale:

In September 2022, the Company moved into its new head office building and consequently, the unoccupied former head office building was reclassified as Asset held for sale. It is measured at its carrying value of \$0.5 million, which is lower than the estimated fair value. It is probable the sale will be completed within the next one to three years.

11. Income taxes:

Income tax expense, including both the current and deferred portions, varies from the amounts that would be computed by applying the statutory federal and provincial tax rates aggregating 24.3% (2024 – 25.5%) to earnings before taxes. A reconciliation is summarized in the following table:

	2025	2024
Tax at basic rates	\$ (1,341)	\$ 1,392
Increase (decrease) in taxes due to permanent differences and other	134	(77)
Income tax expense	\$ (1,207)	\$ 1,315
Effective rate	24.3%	25.5%

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

11. Income taxes (continued):

Income tax expense is comprised of:

	2025		2024
Current tax expense (recovery)	\$ (814)	\$	1,550
Deferred tax expense	(393)		(235)
	\$ (1,207)	\$	1,315
Income tax recorded in other comprehensive income			
Net actuarial gains on employee future benefits	\$ 67	\$	(12)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are presented below.

	2025		2024
Deferred tax assets:			
Donations	\$ 67	\$	-
Insurance contract liabilities	530		16
	597		16
Deferred tax liabilities:			
Employee future benefits	(1,162)		(1,064)
Non-financial assets	(1,201)		(1,044)
	(2,363)		(2,108)
Net deferred tax asset (liability)	\$ (1,766)	\$	(2,092)

The following changes have occurred in the net income taxes receivable (payable) during the year:

	2025		2024
Balance, January 1	\$ 229	\$	(1,693)
Amounts recorded in net earnings	814		(1,550)
Net payments (refunds) during the period	1,301		3,472
Balance, December 31	\$ 2,344	\$	229

The following changes have occurred in the net deferred tax asset (liability) during the year:

	2025		2024
Balance, January 1	\$ (2,092)	\$	(2,339)
Amounts recorded in net earnings	393		235
Amounts recorded in other comprehensive income	(67)		12
Balance, December 31	\$ (1,766)	\$	(2,092)

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

12. Employee future benefits:

The Company provides certain pension and other future employee benefits through benefit plans to eligible participants upon retirement.

The pension plan is composed of defined contribution provisions as well as defined benefit pension provisions which were soft frozen effective June 30, 2014. The defined contribution pension provisions provide for matching employee contributions of 6.0% to the plan.

The defined benefit pension provisions define an amount of pension benefit a member will receive on retirement, dependent upon age, years of pensionable service and final average pensionable earnings. As at the date of the latest actuarial valuation, the breakdown of the defined benefit obligation is 29% in respect of active members and 71% in respect of pensioners, beneficiaries and deferred members.

The plan is registered under *The Income Tax Act and The Pension Benefits Act, 1992* (Saskatchewan) and is administered by the Board of Directors of the Company. The defined benefit provision assets cannot be used for any purpose other than payment of pension benefits and related administrative fees.

The Company also offers employer-paid post-retirement benefit plans providing life insurance and sick leave benefits. These post-retirement benefit plans are unfunded.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2024, and the next required valuation would be as of December 31, 2027. Information about the Company's defined benefit pension plan movements is as follows:

	2025		2024
Accrued benefit obligation			
Balance, January 1	\$ 23,022	\$	23,488
Interest cost on benefit obligation	1,054		1,058
Benefit payments	(1,179)		(966)
Re-measurement recognized in other comprehensive income arising from changes in:			
financial assumptions	(548)		(334)
experience loss	(161)		(224)
Balance, December 31	\$ 22,188	\$	23,022
Fair value of plan assets			
	2025		2024
Balance, January 1	\$ 27,269	\$	27,662
Interest income on plan assets	1,252		1,249
Re-measurement recognized in other comprehensive income return on plan assets	(459)		(611)
Benefits paid	(1,179)		(966)
Other	(75)		(65)
Balance, December 31	\$ 26,808	\$	27,269

The actual return on pension plan assets for the year ended December 31, 2025 was a gain of \$0.5 million (2024 – gain of \$0.6 million).

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

12. Employee future benefits (continued):

The following table shows the components of the net pension benefit asset (liability) shown on the statement of financial position.

	2025	2024
Accrued benefit obligation	\$ (22,188)	\$ (23,022)
Fair value of plan assets	26,808	27,269
Net pension benefit asset	\$ 4,620	\$ 4,247

The Company has determined, in accordance with the terms and conditions of the pension plan and in accordance with statutory requirements, including minimum funding requirements for the defined benefit pension provisions, the present value of reductions in future contributions is higher than the balance of the total fair value of the defined benefit provision plan assets less the total present value of the defined benefit pension obligations. As such, no decrease in the defined benefit asset was necessary at December 31, 2025.

The Company makes contributions under the defined benefit pension provisions to secure the benefits. The amount and timing of the Company's contributions are made in accordance with pension and tax legislation and on the advice of the Plan's actuary.

Based on the latest actuarial valuation of its pension plan as of December 31, 2024, both a solvency excess and going concern surplus existed, and accordingly, no payments were required in 2025.

At December 31, 2025, the weighted-average duration of the defined benefit pension obligation was 13.6 years (2024 – 14.2 years).

The following table summarizes the key assumptions used in measuring the Company's pension plan and related expenses:

Actuarial assumptions:	2025	2024
Discount rate	4.90%	4.70%
Rate on general salary increase	3.25%	3.25%
Inflation	2.00%	2.00%
Mortality	2014 Canadian Pensioner Mortality Table (Private sector) unadjusted -	2014 Canadian Pensioner Mortality Table (Private sector) unadjusted
Average remaining service life of employees (in years)	11.5	10.7

The Company bears the risk of experience loss against the actuarial assumptions and credit risk associated with the defined benefit pension asset portfolio. Credit risk is managed through the pension plan investment policy which governs the types of investments that can be utilized in the pension plan.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

12. Employee future benefits (continued):

The table below shows the allocation of defined benefit pension assets as at December 31.

	2025	2024
Fixed income	83.7%	84.4%
Canadian equities	8.2%	7.6%
Global equities	8.1%	8.0%
	100.0%	100.0%

Employee defined benefit provisions expose the Company to actuarial risk, such as longevity risk, interest rate risk, inflation risk and market investment risk.

The ultimate cost of the defined benefit provisions to the Company will depend on future events rather than on the assumptions made. In general, the risk to the Company is that the assumptions underlying the disclosures or the calculation of contribution requirements are not borne out in practice and the cost to the Company is higher than expected. This could result in higher contributions required from the Company and a higher deficit disclosed.

Assumptions which may vary significantly include:

- The return on plan assets;
- Decrease in asset values not being matched by a similar decrease in the value of liabilities;
- Unanticipated future changes in mortality patterns leading to an increase in the defined benefit liabilities.

The defined benefit obligation is sensitive to the assumptions made about salary growth levels and inflation, as well as the assumptions made about life expectation. It is also sensitive to the discount rate, which depends on market yields on 'AA' corporate bonds.

A change at the reporting date to one of the relevant assumptions holding other assumptions constant, would impact the defined benefit obligations by the following amounts:

	Increase	Decrease
Discount rate (1% movement)	\$ (2,674)	\$ 3,325
Inflation rate (1% movement)	2,325	(1,985)
Salary (1% movement)	251	(230)
Mortality (each member lives 1 year longer)	546	-

The other non-pension future benefits are unfunded with an obligation of \$0.3 million (2024 - \$0.3 million) and have been actuarially determined using the following assumptions:

	2025	2024
Discount rate	4.9% - 5.0%	4.7%
Rate of general salary increase	3.25%	3.25%
Inflation	2.00%	2.00%
Average remaining service life of employee (in years)	16.5 - 20.2	17.5 - 21.2

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

12. Employee future benefits (continued):

The Company's defined benefit pension provisions and other benefit plan costs are comprised of the following:

	Defined benefit pension provisions		Other benefit plans	
	2025	2024	2025	2024
Cost of benefits earned in the year	\$ -	\$ -	\$ 21	\$ 21
Net interest cost (income) on benefit	(198)	(191)	15	14
Other	75	65	-	-
Total benefit expense (recovery)	\$ (123)	\$ (126)	\$ 36	\$ 35

Contributions under the defined contribution provisions expensed in 2025 amounted to \$0.6 million (2024 - \$0.5 million).

Cumulative actuarial gains (losses) recognized through other comprehensive income are summarized as follows:

	Defined benefit pension provisions		Other benefit plans	
	2025	2024	2025	2024
Balance, January 1	\$ (3,515)	\$ (3,462)	\$ (74)	\$ (81)
Re-measurements related to:				
Actuarial gain (loss) from changes in:				
Demographic assumptions	-	-	-	-
Financial assumptions	548	334	10	7
Experience gain (loss)	161	224	-	-
Return on plan assets	(459)	(611)	-	-
Net actuarial gains recognized in other comprehensive income (loss)	\$ 250	\$ (53)	\$ 10	\$ 7
Balance, December 31	\$ (3,265)	\$ (3,515)	\$ (64)	\$ (74)

13. Intangible assets:

Cost	Computer software
December 31, 2024	\$ 14,157
Additions	1,904
Disposals	-
December 31, 2025	\$ 16,061

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

13. Intangible assets (continued):

Accumulated amortization		Computer software
December 31, 2024	\$	9,840
Amortization		1,946
Disposals		-
December 31, 2025	\$	11,786
Net book value		Computer software
December 31, 2024	\$	4,317
December 31, 2025	\$	4,275

14. Capital management:

The Company's primary capital management objective is to protect its policyholders by retaining sufficient capital to pay policyholder claims, facilitate corporate growth and expand product offerings. As a mutual organization, the Company's only source of capital is the retention of earnings as policyholders' surplus.

Effective capital management includes measures designated to maintain capital above regulatory levels and above internally determined and calculated risk management levels. For the purpose of capital management, the Company has defined capital as total policyholder surplus. Annually, the Board of Directors reviews and approves the Company's Enterprise Risk Management Policy, Capital Management Policy and Stress Testing Policy in conjunction with a review of the Company's internal capital target.

One measure used by the regulators to assess the financial strength of property and casualty insurers is the minimum capital test ("MCT"). This test compares a company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors. While the regulator has an established minimum MCT of 150%, the Board of Directors has set an internal target of 225% (2024 – 245%) which under normal circumstances the Company will operate in excess of. The MCT for the Company as of December 31, 2025 was 234% (2024 – 283%).

15. Long term debt:

On March 1, 2023, the TD demand loan for the construction of the new head office building was converted to a TD mortgage for \$5.5 million. The mortgage has a fixed rate of 5.84% per annum for a rate term expiring March 1, 2026. The agreement represents obligations to make fixed monthly payments of over the next 25 years. As security for the loan, a general security agreement from the Company was made representing a first charge on all its present and after acquired personal property. The mortgage agreement includes a demand clause whereby the outstanding principal and accrued interest may become due and payable upon the occurrence of an event of default. As at December 31, 2025 (2024), the Company was in compliance with all covenants under the agreement and no event of default had occurred. Accordingly, the mortgage has not been classified as due on demand, and the contractual maturities presented below represent management's best estimate of the timing of future cash outflows under the agreement.

		2025		2024
Within 1 year	\$	119	\$	112
Between 1 to 5 years		549		518
Over 5 years		4,553		4,703
Balance, December 31	\$	5,221	\$	5,333

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

16. Financial risk management:

Overview

Like other insurance companies, the business activities of the Company expose the Company to the following risks from its use of financial instruments:

- a. Market risk
- b. Credit risk
- c. Liquidity risk

Effective risk management is vital to making sound business decisions, both strategically and operationally. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management framework involves identifying and understanding the risks the Company is exposed to and taking measures to manage these risks within acceptable tolerances. Material risks are managed through a combination of board policy, management monitoring and other management practices.

The most significant financial risks are related to the Company's investments. The Company utilizes the prudent person approach to asset management as required by the *Insurance Companies Act*. An investment policy is in place and its application is monitored by the Audit & Finance Committee of the Board of Directors. The objective of the policy is to generate a reasonably stable level of income, maintain liquidity, maximize after-tax rates of return while minimizing the risk of capital loss and provide for capital growth while maintaining an acceptable level of risk tolerance. Diversification techniques are utilized to minimize risk.

Other significant financial instruments subject to financial risk include accounts receivable from policyholders and brokers and unpaid claims recoverable from reinsurers.

Market risk:

Market risk is the risk arising from potential changes in the market rates, prices or liquidity in various markets. Market factors include four sub-types of risk: interest rate risk, equity risk, currency risk and inflation risk.

Interest rate risk is related to changes in interest rates and their impact when durations of assets and liabilities are different. The Company is exposed to this risk through its interest bearing investments (described in note 6) and its insurance and reinsurance contract liabilities (described in note 8).

Investment policy and strategy are established in a broad sense to profile the ultimate claims settlement pattern by class of insurance using historical data and current information. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities.

The Company's investment policy establishes a minimum of 65% fixed income in the investment portfolio and recommends a target of 80% (2024 - 80%).

The Company is also exposed to interest rate risk. At December 31, 2025, a 1% move in interest rates, with all other variables held constant, could impact the market value of the fixed income portfolio by \$3.6 million (2024 - \$3.0 million). For securities the Company did not sell during the period, the change in market value would be recognized in the asset value and net earnings.

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings within its investment portfolio.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

16. Financial risk management (continued):

The Company's investment portfolio includes Canadian pooled fund units with fair values that move with the S&P/TSX Capped Composite Index and global pooled fund units that move with MSCI World Total Return Net Index. A 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's equity pooled funds of \$1.7 million (2024 - \$2.9 million). For securities the Company did not sell during the period, the change would be recognized in the asset value and net earnings.

The Company's investment policy limits equity investments to 26% of the total portfolio investment and recommends a target of 20% (2024 – 20%).

Currency risk relates to the Company investing in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency exchange rates could occur.

The Company's foreign exchange risk is related to its foreign equity pooled fund holdings. The Company's investment policy limits its holdings in foreign equity to 18% of total investments and recommends a target of 15%. A 1% change in the value of foreign currency would have a nominal effect on the fair value of these securities.

Actual asset allocations will vary, within the limits, based on the investment strategy within the portfolio.

Inflation risk is when realized inflation differs from the anticipated inflation which effects both liabilities and assets. At December 31, 2025, inflation driven increases in the cost of claims is consistent with the general economic environment. The impact of a change in inflation rate on the cost of claims can be found in note 7.

There have been no significant changes from the previous period in the exposure to market risk or policies, procedures and methods used to measure the risk.

Credit risk:

Credit risk arises from the credit component embedded in market rates. It arises from a counterparty's potential inability or unwillingness to fully meet its on or off-balance sheet contractual obligations. The Company is primarily exposed to this risk through its investment portfolio and the reliance on reinsurers to make payment when certain loss conditions are met. Insurance and reinsurance contract assets are short-term in nature and are not subject to material credit risk.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The fixed income investments remain high quality with 26.6% (2024 – 22.9%) of the securities held recorded BBB or lower. Refer to note 6 for a breakdown of the fixed income securities held by the pooled funds.

The policy for fixed income pooled funds limits the investment in any one corporate name, excluding any one Schedule 1 bank, to a maximum of 5% of the market value of the total fixed income portfolio. The maximum exposure to any one Schedule 1 bank is limited to 10% of the market value of the total fixed income portfolio.

The Company has guidelines and a review process in place to ascertain the credit worthiness of the reinsurance companies to which it cedes. At year end, all reinsurers on the 2025 program had a rating of no less than A- by both Standard & Poor's and A.M. Best. Risk is also reduced by having an adequate number of reinsurers on the program and by limiting their maximum participation in any one layer. There were no loss provisions in 2025 or 2024.

There have been no significant changes from the previous period in the exposure to credit risk or policies, procedures and methods used to measure the risk.

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

16. Financial risk management (continued):

Liquidity risk:

Liquidity risk is the risk the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. Current liabilities primarily arise as claims are made. The Company has no material commitments for capital expenditures and there is normally no need for such expenditures in the normal course of business.

Claim payments and debt repayments are funded by current operating cash flow including investment income which normally exceeds cash requirements. At December 31, 2025 the Company has sufficient liquidity to meet obligations as they become due.

There have been no significant changes from the previous period in the exposure to liquidity risk or policies, procedures and methods used to measure the risk.

The maturity profile of the Company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarized in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analyzed by their expected payment dates. If required, the net liquidity gap within 1 year will be managed using proceeds on investments, which have no withdrawal restrictions.

	2025			Total
	Within 1 year	1 to 5 years	Over 5 years	
Financial assets				
Cash and cash equivalents	\$ 21,897	\$ -	\$ -	\$ 21,897
Investments	23,461	86,967	26,925	137,353
Income taxes receivable	2,344	-	-	2,344
	47,702	86,967	26,925	161,594
Insurance assets				
Reinsurance contract assets	13,209	4,225	437	17,871
Total assets	\$ 60,911	\$ 91,192	\$ 27,362	\$ 179,465
Financial liabilities				
Accounts payable and accrued liabilities	3,818	-	-	3,818
Long term debt	119	549	4,553	5,221
	3,937	549	4,553	9,039
Insurance liabilities				
Insurance contract liabilities	58,252	28,248	6,378	92,878
Total liabilities	\$ 62,189	\$ 28,797	\$ 10,931	\$ 101,917
Net liquidity gap	\$ (1,278)	\$ 62,395	\$ 16,431	\$ 77,548

Notes to Financial Statements

(in thousands of Canadian dollars)

Year ended December 31, 2025, with comparative figures for 2024

17. Expenses by nature

An analysis of the insurance service expenses incurred by the Company in the reporting period is included in the table below:

	2025	2024
Claims and benefits	\$ 109,629	\$ 78,909
Commissions	42,075	33,087
Salaries and employee benefits	7,770	7,538
Premium taxes and licenses	8,035	6,491
Information technology	2,888	2,292
Professional fees (other than legal)	1,379	1,174
Other expenses	5,289	4,732
Subtotal	177,065	134,223
Amounts attributed to insurance acquisition cash flows	(61,019)	(48,364)
Amortization of insurance acquisition cash flows	54,861	42,091
Total	170,907	127,950
Represented by:		
Insurance service expenses	164,490	120,999
General and operating expenses	6,417	6,951
Total	\$ 170,907	\$ 127,950

18. Related party transactions:

Compensation, which includes salaries, short-term employee benefits, retirement allowances and directors' fees for the Company's key management team and Board of Directors for the year ended December 31, 2025 was \$2.4 million (2024 - \$3.2 million).

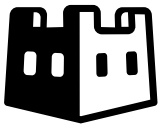
Key management personnel and the Board of Directors can purchase insurance products offered by the Company in the normal course of business. The terms and conditions of such transactions are the same as those available to policyholders and employees of the Company. Premium amounts for 2025 were \$66,000 and claims paid totaled \$10,000 (2024 - \$55,000 and \$9,000).

The Company's transactions with post-employment plans comprise the contributions paid to the pension plan for all employees, which represent for the year ended December 31, 2025, \$0.6 million (2024 - \$0.5 million), of which \$100,000 (2024 - \$103,500) related to key management personnel.

As of December 31, 2025, the Company has a liability of \$402,000 related to bonuses and other amounts relating to compensation. (2024 - \$1.1 million).

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